

## I. BACKGROUND

1. The Japan Special Fund (JSF) was established in March 1988, and provides grants to Asian Development Bank's (ADB) developing member countries (DMCs) to help prepare projects and undertake technical or policy studies. As a special fund that consists of resources entirely contributed by the Government of Japan, it supports ADB operations to reduce poverty, and such activities as environmental protection, gender and empowerment, private sector promotion, and finance sector reform.
2. As an untied grant, JSF continues to support the ADB's mission of promoting the social and economic progress of the Asia and Pacific region by helping finance ADB's technical assistance (TA) program in several DMCs (Appendix 1).
3. JSF's role has become even more important since 1999, when ADB refocused its goals on poverty reduction. In 2001, JSF took on the challenge of stalled progress, which has increased absolute poverty in crisis-affected Asia. JSF has endeavored to alleviate the plight of the poor and their children, who have suffered the social consequences of the crisis.
4. JSF, through ADB as administrator, processes batches of TA proposals during the year. TA proposals needing urgent attention are processed separately. JSF has a two-step approval process, involving initial and final approval. Each proposal is screened by the Office of Cofinancing Operations, which seeks initial approval from the JSF authorities. They thoroughly review the proposals and seek clarifications to gain a complete understanding of the TA proposals and to maintain project quality. The JSF authorities then advise ADB of the initially approved proposals. Once a proposal is reviewed and approved by an interdepartmental staff review committee, final approval for JSF financing is requested.